

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Surrey Township	County Clare County
Fiscal Year End 6/30/07	Opinion Date August 31, 2007	Date Audit Report Submitted to State October 26, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES


NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>	Not applicable.	
Certified Public Accountant (Firm Name) Yeo & Yeo, CPA's and Business Consultants		Telephone Number 989-631-6060	
Street Address 6018 Eastman Ave.		City Midland	State MI
Zip 48640			
Authorizing CPA Signature 	Printed Name Michael R. Zimmerman	License Number 1101018243	

**SURREY TOWNSHIP**  
**Clare County, Michigan**  
**Annual Financial Statements**  
**and**  
**Auditors' Report**  
**June 30, 2007**

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**SURREY TOWNSHIP**  
**List of Elected and Appointed Officials**  
**June 30, 2007**

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TOWNSHIP BOARD

RUSSELL HAMILTON	SUPERVISOR
CHRISTINA EVERITT	CLERK
ESTHER PITCHFORD	TREASURER
NANCY JONES	TRUSTEE
CAROL DIXON	TRUSTEE



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Midland, MI 48640  
Phone (989) 631-6060 / (800) 701-3574  
Fax (989) 631-4288

## **Independent Auditors' Report**

To the Members of the Township Board  
Surrey Township  
Clare County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Surrey Township as of and for the year ended June 30, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Surrey Township as of June 30, 2007 and the respective changes in financial position, thereof, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The managements' discussion and analysis and budgetary comparison information identified in the table of contents are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Surrey Township's basic financial statements. The accompanying other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Yeo & Yeo, P.C.*

Midland, Michigan

August 31, 2007

**Surrey Township**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2006**

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Surrey Township (the "Township"), Michigan is in its third year of implementation of Governmental Accounting Standards Board Statement 34 (GASB 34) with the enclosed financial statements. The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Township's management's discussion and analysis of the financial results for the fiscal year ended June 30, 2007.

### **Overview of Financial Statements**

The annual report consists of four parts: management's discussion and analysis (this section), the basic financial statements, the required supplementary information, and other supplemental information. Generally Accepted Accounting Principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: Government-wide Financial Statements and Fund Financial Statements.

### **Government-wide Financial Statements:**

The Government-wide statements provide a perspective of the Township as a whole. These statements use the full accrual basis of accounting similar to private sector companies. There are two Government-wide statements: The Statement of Net Assets and the Statement of Activities.

The Statement of Net Assets (page 4-1) combines and consolidates the governmental fund current financial resources (short-term spendable resources) with capital assets, regardless of whether they are currently available or not.

Consistent with the full accrual basis method of accounting, the Statement of Activities (page 4-2) accounts for current year revenues and expenses regardless of when cash is received or paid. The intent of this statement is to summarize and simplify the user's analysis of the costs of various district services.

When analyzed together, the two statements help the reader determine whether the Township is financially stronger or weaker as a result of the year's activities.

### **Fund Financial Statements**

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the Township can be divided into two categories: governmental funds and fiduciary funds.

### Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflow of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year (fund balance).

Because the focus of governmental funds is narrower than that of the Government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Township's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison.

The Township maintains ten individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues,

**Surrey Township  
Management's Discussion and Analysis  
Year Ended June 30, 2006**

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expenditures, and changes in fund balances for the general, library, fire protection, and rubbish collection funds, each of which are considered to be a major fund. Data from the other six governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

#### Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are not reflected in the Government-wide financial statements because the resources of those funds are not available to support the Township's own programs. The accounting for fiduciary funds is much like that used for proprietary funds.

#### Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

#### Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning budgetary information for the Township's major funds.

#### **SUMMARY OF NET ASSETS:**

##### **Township's Net Assets**

The following summarizes the Township's net assets at June 30:

	2007	2006
Assets		
Current assets	\$ 1,090,932	\$ 1,031,864
Capital assets	2,471,634	2,423,235
Less accumulated depreciation	(1,223,024)	(1,133,903)
Net capital assets	1,248,610	1,289,332
Total assets	2,339,542	2,321,196
Liabilities		
Current liabilities	43,163	22,947
Long-term liabilities	172,106	247,470
Total liabilities	215,269	270,417
Net assets		
Investment in capital assets, net of related debt	1,076,504	966,992
Restricted for debt service	3,628	5,295
Unrestricted	1,044,141	1,078,492
Total net assets	\$ 2,124,273	\$ 2,050,779

During the fiscal year ended June 30, 2007, the Township's net assets increased by \$73,494.

As noted earlier, net assets may serve over time as a useful indicator of government's financial position. In the case of Surrey Township, assets exceeded liabilities by \$2,124,273.

A portion of the Township's net assets (51%) reflects its investment in capital assets (e.g. land, buildings, equipment); less any related debt used to acquire those assets that are still outstanding. The Township



**Surrey Township  
Management's Discussion and Analysis  
Year Ended June 30, 2006**

uses these capital assets to provide services to the community; consequently, these assets are not available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Township's Changes in Net Assets**

**Revenues:**

	Year Ended June 30, 2007	Year Ended June 30, 2006
Program revenue		
Charges for services	\$ 288,455	\$ 277,245
Operating grants and contributions	7,356	3,366
Capital grants and contributions	20,114	-
General revenue:		
Property taxes	472,128	444,629
State share revenue	198,921	201,611
Interest and investment earnings	21,296	18,880
Miscellaneous	8,853	8,002
Total Revenues	<u>1,017,123</u>	<u>953,733</u>

**Expenses:**

	Year Ended June 30, 2007	Year Ended June 30, 2006
General government	\$ 211,190	\$ 284,860
Public safety	21,758	18,367
Public works	124,898	82,883
Library	223,868	220,503
Fire protection	198,325	185,580
Rubbish collection	137,856	81,547
Culture and recreation	17,088	11,902
Interest on long-term debt	8,646	17,356
Total expenses	<u>943,629</u>	<u>902,998</u>
Change in net assets	<u>73,494</u>	<u>50,735</u>
Net assets - beginning	2,050,779	1,836,304
Prior period adjustment	-	163,740
Net assets - beginning restated	2,050,779	2,000,044
Net assets - ending	<u>\$ 2,124,273</u>	<u>\$ 2,050,779</u>

**Governmental Activities**

The Township's total governmental revenue increased by \$63,390 from last fiscal year. This was primarily attributed to revenue increases in tax revenue, increase in penal fines paid to the Library and overall spending control.

**Financial Analysis of the Government's Funds**

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Surrey Township  
Management's Discussion and Analysis  
Year Ended June 30, 2006**

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As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$945,181, an increase of \$69,210 in comparison with the prior year. Approximately 99% of this amount (\$941,553) constitutes unreserved fund balance, which is available for spending at the Township's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to pay for debt service.

The general fund is the chief operating fund of the Township. At the end of the current fiscal year, unreserved fund balance of the general fund was \$296,807. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents approximately 105% of total general fund expenditures.

The fund balance of the General Fund increased by \$22,279 during the current fiscal year. The increase is mainly due to revenue increase in tax revenue, increase in services and overall spending control.

The fund balance of the Library Fund increased by \$39,074 during the current fiscal year. The increase is attributable to revenue increases in tax revenue, penal fines, and overall spending control.

The fund balance of the Fire Protection Fund increased by \$37,384 during the current fiscal year. The increase was due to revenue increase in tax revenue, donations for the purchase of an imaging camera and overall spending control.

The fund balance of the Rubbish Collection Fund decreased by \$28,655 during the current fiscal year. The decrease in funds was mainly due to billing adjustments for contractual services from previous years and the difference paid in this fiscal year for the previous year.

### **General Fund Budgetary Highlights**

The Township's budgets are prepared in accordance with Michigan Law. The most significant budgeted fund is the General Fund. The General Fund budget was amended during the year. As additional information became known during the fiscal year, budget amendments were made to recognize the additional revenue and/or planned expenditures related to various Township programs.

Differences between the original and final amended budgets were relatively minor.

**Surrey Township  
Management's Discussion and Analysis  
Year Ended June 30, 2006**

**Capital Assets and Debt Administration**

**Capital Assets**

The Townships investment in capital assets for its governmental activities as of June 30, 2007, amounted to \$1,248,610 (net of accumulated depreciation). Investment in capital assets included land, buildings, and equipment.

	Balance July 1, 2006	Additions	Disposals	Balance June 30, 2007
Capital assets not being depreciated				
Land	\$ 74,870	\$ -	\$ -	\$ 74,870
Capital assets being depreciated				
Land improvements	3,000	12,255	-	15,255
Buildings and improvements	1,166,439	-	-	1,166,439
Furniture and equipment	471,205	36,144	-	507,349
Vehicles	707,721	-	-	707,721
Capital assets	<u>2,423,235</u>	<u>48,399</u>	<u>-</u>	<u>2,471,634</u>
Less:				
Accumulated depreciation	<u>(1,133,903)</u>	<u>(89,121)</u>	<u>-</u>	<u>(1,223,024)</u>
Governmental activities capital assets, net	<u>\$ 1,289,332</u>	<u>\$ (40,722)</u>	<u>\$ -</u>	<u>\$ 1,248,610</u>

**Long-term Debt**

At the end of the current fiscal year, the Township had total long-term debt outstanding of \$172,106.

	Balance July 1, 2006	Additions	Reductions	Balance June 30, 2007
Special assessment bonds	\$ 146,494	\$ -	\$ 33,032	\$ 113,462
Notes payable	<u>100,976</u>	<u>-</u>	<u>42,332</u>	<u>58,644</u>
	<u>\$ 247,470</u>	<u>\$ -</u>	<u>\$ 75,364</u>	<u>\$ 172,106</u>

**Economic Factors and Next Year's Budget**

The following factors were considered in preparing the Township's budget for the 2007-2008 fiscal year:

- The State of Michigan has made significant cuts in their operating budgets due to a downturn in economy. For 2006-2007, the Township received \$190,996 in state shared revenue, representing 59% of the revenue in the General Fund. The amounts of the state shared revenues for future periods are uncertain and will affect the Township's budgets. Our budgets were prepared with these factors in mind and will need to be revised as needed.

**Request for Information**

This financial report is designed to provide our citizens and taxpayers with a general overview of the Township's finances. If you have questions about this report or would like additional information, contact the Township Clerk's office at Surrey Township, Clare County, Michigan.

**Township of Surrey**  
**Statement of Net Assets**  
**June 30, 2007**

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**Assets**

Cash and cash equivalents	\$ 933,024
Accounts receivable	1,078
Due from other governmental units	32,140
Road assessment liens receivable	102,588
Prepaid items	22,102
Capital assets not being depreciated	74,870
Capital assets - net of accumulated depreciation	<u>1,173,740</u>
Total assets	<u>2,339,542</u>

**Liabilities**

Current liabilities	
Accounts payable	27,883
Accrued expenses	15,280
Noncurrent liabilities	
Due within one year	78,753
Due in more than one year	<u>93,353</u>
Total liabilities	<u>215,269</u>

**Net Assets**

Invested in capital assets, net of related debt	1,076,504
Restricted for:	
Debt service	3,628
Unrestricted	<u>1,044,141</u>
Total net assets	<u><u>\$ 2,124,273</u></u>

**Township of Surrey**  
**Statement of Activities**  
**Year Ended June 30, 2007**

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Functions/Programs</b>					
Governmental activities					
General government	\$ 211,190	\$ 21,182	\$ -	\$ -	\$ (190,008)
Public safety	21,758	-	-	-	(21,758)
Public works	124,898	58,366	-	-	(66,532)
Library	223,868	59,295	-	20,114	(144,459)
Fire protection	198,325	34,778	7,356	-	(156,191)
Rubbish collection	137,856	114,834	-	-	(23,022)
Culture and recreation	17,088	-	-	-	(17,088)
Interest on long-term debt	8,646	-	-	-	(8,646)
Total governmental activities	<u>\$ 943,629</u>	<u>\$ 288,455</u>	<u>\$ 7,356</u>	<u>\$ 20,114</u>	<u>(627,704)</u>
General revenues					
Property taxes, levied for general purposes					472,128
State shared revenue					198,921
Interest and investment earnings					21,296
Miscellaneous					<u>8,853</u>
Total general revenues					<u>701,198</u>
Change in net assets					73,494
Net assets - beginning					<u>2,050,779</u>
Net assets - ending					<u>\$ 2,124,273</u>

See Accompanying Notes to Financial Statements

**Township of Surrey**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2007**

	General	Library	Fire Protection	Rubbish Collection	Other Governmental Funds	Governmental Funds
<b>Assets</b>						
Cash and cash equivalents	\$ 281,866	\$ 199,983	\$ 231,977	\$ 140,342	\$ 78,856	\$ 933,024
Accounts receivable	-	-	1,078	-	-	1,078
Due from other governmental units	29,092	3,048	-	-	-	32,140
Road assessment liens receivable	-	-	-	-	102,588	102,588
Prepaid items	20,098	-	2,004	-	-	22,102
<b>Total assets</b>	<u><u>\$ 331,056</u></u>	<u><u>\$ 203,031</u></u>	<u><u>\$ 235,059</u></u>	<u><u>\$ 140,342</u></u>	<u><u>\$ 181,444</u></u>	<u><u>\$ 1,090,932</u></u>
<b>Liabilities and Fund Balance</b>						
<b>Liabilities</b>						
Accounts payable	\$ 5,038	\$ -	\$ 8,892	\$ 7,193	\$ 6,760	\$ 27,883
Accrued expenses	9,113	-	6,167	-	-	15,280
Deferred revenue	-	-	-	-	102,588	102,588
<b>Total current liabilities</b>	<u>14,151</u>	<u>-</u>	<u>15,059</u>	<u>7,193</u>	<u>109,348</u>	<u>145,751</u>
<b>Fund Balance</b>						
Reserved for prepaid items	20,098	-	-	-	-	20,098
Reserved for debt service	-	-	-	-	3,628	3,628
Unreserved, reported in:						
General fund	296,807	-	-	-	-	296,807
Special revenue funds	-	203,031	220,000	133,149	68,468	624,648
<b>Total fund balance</b>	<u>316,905</u>	<u>203,031</u>	<u>220,000</u>	<u>133,149</u>	<u>72,096</u>	<u>945,181</u>
<b>Total liabilities and fund balance</b>	<u><u>\$ 331,056</u></u>	<u><u>\$ 203,031</u></u>	<u><u>\$ 235,059</u></u>	<u><u>\$ 140,342</u></u>	<u><u>\$ 181,444</u></u>	<u><u>\$ 1,090,932</u></u>

See Accompanying Notes to Financial Statements

**Township of Surrey**  
**Reconciliation of the Balance Sheet of**  
**Governmental Funds to the Statement of Net Assets**  
**June 30, 2007**

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<b>Total fund balances for governmental funds</b>	\$ 945,181
Total net assets reported for governmental activities in the statement of net assets is different because:	
Certain receivables are not available to pay for current period expenditures and, therefore are not reported in the funds.	102,588
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets not being depreciated	74,870
Capital assets - net of accumulated depreciation	1,173,740
Long-term liabilities applicable to the Township's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	<u>(172,106)</u>
<b>Net assets of governmental activities</b>	<u><u>\$ 2,124,273</u></u>

**Township of Surrey**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended June 30, 2007**

	General	Library	Fire Protection	Rubbish Collection	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Taxes	\$ 97,758	\$ 175,013	\$ 199,357	\$ -	\$ -	\$ 472,128
Licenses and permits	3,495	-	-	-	-	3,495
State revenue sharing	190,996	6,120	-	-	1,805	198,921
Local contributions	-	20,114	-	-	-	20,114
County penal fines	-	52,232	-	-	-	52,232
Special assessments	-	-	-	-	95,013	95,013
Charges for services	17,687	7,063	34,778	114,834	-	174,362
Interest income	11,398	-	1,935	884	790	15,007
Donations	-	-	7,356	-	-	7,356
Other revenue	1,872	5,259	1,722	-	-	8,853
Total revenues	<u>323,206</u>	<u>265,801</u>	<u>245,148</u>	<u>115,718</u>	<u>97,608</u>	<u>1,047,481</u>
<b>Expenditures</b>						
Current						
General government	199,087	-	-	-	-	199,087
Public safety	19,953	-	-	-	-	19,953
Public works	64,799	-	-	-	-	64,799
Culture and recreation	17,088	-	-	-	-	17,088
Library	-	226,727	-	-	-	226,727
Fire protection	-	-	162,164	-	-	162,164
Rubbish collection	-	-	-	144,373	-	144,373
Surrey Lake improvement	-	-	-	-	20,302	20,302
Lake 13 improvement	-	-	-	-	20,136	20,136
Bear lake	-	-	-	-	17,827	17,827
Liquor enforcement	-	-	-	-	1,805	1,805
Debt service						
Principal redemption	-	-	42,332	-	33,032	75,364
Interest	-	-	3,268	-	5,378	8,646
Total expenditures	<u>300,927</u>	<u>226,727</u>	<u>207,764</u>	<u>144,373</u>	<u>98,480</u>	<u>978,271</u>
Net change in fund balance	22,279	39,074	37,384	(28,655)	(872)	69,210
Fund balance - beginning	294,626	163,957	182,616	161,804	72,968	875,971
Fund balance - ending	<u>\$ 316,905</u>	<u>\$ 203,031</u>	<u>\$ 220,000</u>	<u>\$ 133,149</u>	<u>\$ 72,096</u>	<u>\$ 945,181</u>

See Accompanying Notes to Financial Statements



**Township of Surrey**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of**  
**Governmental Funds to the Statement of Activities**  
**Year Ended June 30, 2007**

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<b>Net change in fund balances - total governmental funds</b>	\$ 69,210
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Total change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense	(89,121)
Capital assets additions	48,399

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.

Special assessments	(30,358)
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Bond proceeds are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.

Repayments of long-term debt	<u>75,364</u>
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<b>Change in net assets of governmental activities</b>	<u><u>\$ 73,494</u></u>
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**Surrey Township**  
**Notes to Financial Statements**  
**June 30, 2007**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Surrey Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township.

**Reporting entity**

The Township is governed by an elected five-member Board of Trustees. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the Township's reporting entity, and which organizations are legally separate component units of the Township. The Township has no component units.

**Government-wide financial statements**

The Township's basic financial statements include both government-wide (reporting for the Township as a whole) and fund financial statements (reporting the Township's major funds). The government-wide financial statements categorize all nonfiduciary activities as either governmental or business-type. All of the Township's activities are classified as governmental activities.

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The Township's net assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted net assets, and (3) unrestricted net assets. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items properly excluded from program revenue are reported as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the governmental-wide financial statements. Major individual governmental funds are reported in separate columns in the fund financial statements.

**Measurement focus, basis of accounting and financial statement presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government

**Surrey Township**  
**Notes to Financial Statements**  
**June 30, 2007**

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considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Those revenues susceptible to accrual are property taxes, special assessments, licenses, interest revenue, and charges for services. Sales taxes collected and held by the State at year end on behalf of the government also are recognized as revenue. Fines and permits are not susceptible to accrual because generally they are not measurable until received in cash.

The Township reports the following major governmental funds:

- The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The Library Fund is used to account for Library activities of the Township.
- The Fire Protection Fund is used to account for Fire Protection activities of the Township.
- The Rubbish Collection fund is used to account for Rubbish Collection activity of the Township.

Additionally, the Township reports the following:

*Surrey Lake Improvement Fund* – The Surrey Lake Improvement Fund accounts for proceeds from special assessments that are legally restricted for Surrey Lake Improvement expenditures.

*Lake 13 Improvement Fund* – The Lake 13 Improvement Fund accounts for proceeds from special assessments that are legally restricted for Lake 13 Improvement expenditures.

*Bear Lake Fund* - The Bear Lake Fund accounts for proceeds from special assessments that are legally restricted Bear Lake Improvement expenditures.

*Lake 13 Road* – The Lake 13 Fund accounts for proceeds from special assessments that are legally restricted for debt service.

*Surrey Lake Road* – The Surrey Lake Road Fund accounts for proceeds from special assessments that are legally restricted for debt service.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

### **Property tax revenue**

Property taxes are attached as an enforceable lien on property as of December 1 and are due without penalty on or before February 28. These tax bills include the Township's own property taxes and taxes billed on behalf of the County and the school district within the Township limits. Real property taxes not collected as of March 1 are turned over to Clare County for collection, which advances the Township 100% of the delinquent taxes. Collection of delinquent personal property taxes remains the responsibility of the Township Treasurer.

The Township acts as a collection agent for Clare County, the Farwell Area School District and the Clare Gladwin Regional Education Service District's property taxes.

Taxes collected on behalf of the school districts and Clare County are turned over to the districts and the County immediately following collection and are accounted for in designated tax collection funds.

**Surrey Township**  
**Notes to Financial Statements**  
**June 30, 2007**

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The 2006 taxable value of the government totaled \$90,993,104. The tax levy for that year was based on the following rates:

	<u>Millage Rate Used</u>	<u>Authorized Millage Rate Per Township</u>
General operating	0.8963	0.8963
Fire	2.5000	2.5000
Library operating	1.6399	1.6399

**Assets, liabilities and net assets or equity**

*Cash and cash equivalents* – The Township has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with a maturity of 3 months or less when acquired. Additionally, each fund's equity in the Township's investment pool is treated as a cash equivalent because the funds can deposit or effectively withdraw cash at any time without prior notice or penalty. Shared pooled investment income is allocated to each fund based on its percentage of the balance in the pool.

*Receivables and payable* – In general, outstanding balances between funds are reported as "due to/from other fund." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

*Prepaid items* – Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

*Capital assets* – Capital assets, which include buildings and improvements, land improvements, furniture and equipment, and

vehicles, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$2,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

All capital assets are depreciated using the straight-line method over the following useful lives.

Land improvements	10 to 20 years
Building and building improvements	20 to 50 years
Furniture, equipment and vehicles	5 to 15 years

*Long-term obligations* - In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

*Fund equity* - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Use of estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

**Surrey Township**  
**Notes to Financial Statements**  
**June 30, 2007**

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**Comparative data**

Comparative data is not included in the Township's financial statements.

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

The Township is subject to the budgetary control requirements of the Uniform Budgeting Act (P.A. 621 of 1978, as amended). Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund, activity, department, and line items. The legal level of budgetary control adopted by the governing body is the activity level. The Township Clerk is authorized to transfer budgeted amounts between line items within an activity; however, any revisions that alter the total expenditures of an activity must be approved by the Township Board.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent when goods are received or services rendered.

**NOTE 3 - DEPOSITS**

*Interest rate risk* – The Township does not have a formal investment policy to manage its exposure to fair value losses arising from changes in interest rates.

*Credit Risk* - Michigan Compiled Laws, Section 129.91 authorizes the Township to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other obligation of the United States, or any

agency or instrumentality of the United States. United States government or federal agency obligations; repurchase agreements; bankers acceptance of United States Banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. The investment policy adopted by the Board authorized all of the investments allowable under Michigan law.

*Concentration of credit risk* – The Township has no policy that would limit the amount that may be invested with any one issuer.

*Custodial credit risk – deposits* – In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. As of June 30, 2007, \$685,860 of the Township's bank balance of \$985,860 was exposed to custodial credit risk because it was uninsured and uncollateralized.

**Surrey Township**  
**Notes to Financial Statements**  
**June 30, 2007**

**NOTE 4 - RECEIVABLES AND DEFERRED REVENUE**

The only receivables not expected to be collected within one year are as follows:

	Due After One Year	Fund
<b>Primary government</b>		
Road assessment liens receivable	\$ 72,513	Lake 13 Debt Retirement Fund
Road assessment liens receivable	<u>30,075</u>	Surrey Lake Road Debt Retirement
	<u>\$ 102,588</u>	

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Unavailable
<b>Primary government</b>	
Road assessment liens receivable	<u>\$ 102,588</u>

**NOTE 5 - CAPITAL ASSETS**

Capital assets activity of the primary government for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 74,870	\$ -	\$ -	\$ 74,870
Capital assets being depreciated				
Land improvements	3,000	12,255	-	15,255
Buildings and improvements	1,166,439	-	-	1,166,439
Furniture and equipment	471,205	36,144	-	507,349
Vehicles	<u>707,721</u>	<u>-</u>	<u>-</u>	<u>707,721</u>
Capital assets being depreciated	<u>2,348,365</u>	<u>48,399</u>	<u>-</u>	<u>2,396,764</u>
Less accumulated depreciation for				
Land improvements	(800)	(811)	-	(1,611)
Buildings and improvements	(311,562)	(24,523)	-	(336,085)
Furniture and equipment	(332,402)	(24,125)	-	(356,527)
Vehicles	<u>(489,139)</u>	<u>(39,662)</u>	<u>-</u>	<u>(528,801)</u>
Accumulated depreciation	<u>(1,133,903)</u>	<u>(89,121)</u>	<u>-</u>	<u>(1,223,024)</u>
Net capital assets being depreciated	<u>1,214,462</u>	<u>(40,722)</u>	<u>-</u>	<u>1,173,740</u>
Governmental activities capital assets, net	<u>\$ 1,289,332</u>	<u>\$ (40,722)</u>	<u>\$ -</u>	<u>\$ 1,248,610</u>

Depreciation expense was charged to programs of the primary government as follows:

<b>Government activities</b>	
General government	\$ 12,103
Library	18,816
Fire protection	50,630
Public works	1,834
Rubbish collection	<u>5,738</u>
Total governmental activities	<u>\$ 89,121</u>

**Surrey Township**  
**Notes to Financial Statements**  
**June 30, 2007**

**NOTE 6 - LONG-TERM DEBT**

The following is a summary of long-term debt entered into on behalf of the Surrey Lakes Special Assessment District, Lake 13 Special Assessment District and the Township's Fire Truck note payable.

	Amount of Issue	Maturity Date	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities</b>									
Special assessment obligations									
Surrey Lake Road	\$ 226,000	2009	5.10%	\$10,728 - \$16,785	\$ 47,956	\$ -	\$ 15,199	\$ 32,757	\$ 15,972
Lake 13	239,000	2011	5.00%	\$15,197 - \$21,676	98,538	-	17,833	80,705	18,724
Installment purchase agreements									
Fire Truck note payable	205,911	2009	4.00%	\$14,561 - \$44,057	100,976	-	42,332	58,644	44,057
Total governmental activities					<u>\$ 247,470</u>	<u>\$ -</u>	<u>\$ 75,364</u>	<u>\$ 172,106</u>	<u>\$ 78,753</u>

Future principal and interest requirements for the special assessment bonds to be paid out of the debt retirement fund are as follows:

Year Ended June 30,	Principal	Interest	Total
2008	\$ 34,696	\$ 5,706	\$ 40,402
2009	36,448	3,955	40,403
2010	20,644	2,116	22,760
2011	21,674	1,084	22,758
	<u>\$ 113,462</u>	<u>\$ 12,861</u>	<u>\$ 126,323</u>

Future principal and interest requirements for the notes payable to be paid out of the fire fund are as follows:

Year Ended June 30,	Principal	Interest	Total
2008	\$ 44,057	\$ 1,543	\$ 45,600
2009	14,587	144	14,731
	<u>\$ 58,644</u>	<u>\$ 1,687</u>	<u>\$ 60,331</u>

**Surrey Township**  
**Notes to Financial Statements**  
**June 30, 2007**

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**NOTE 7 - RISK MANAGEMENT**

The Township purchases commercial insurance to provide workers' compensation insurance, general liability, and property insurance. The Township also purchases commercial health insurance to cover health expenses for certain eligible employees. There were no significant reductions in insurance coverage from the prior year. Settlements from insurance providers have not exceeded insurance coverage for any of the past three years.

**NOTE 8 - ZONING AND ENFORCEMENT**

The State of Michigan requires local governmental units to restrict any surpluses during a year for zoning administration activities. The surpluses are to be carried over to subsequent years to fund future activity. Surrey Township had no surplus during the year ended June 30, 2007.

**NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS**

The Township participates in a defined contribution retirement plan administered by John Hancock Financial Services. The plan covers all members of the Township Board. The amount of contributions is based upon the length of service and amounts of compensation earned. The contributions amounted to \$8,858 for the year ended June 30, 2007. Payment to the plan represents the only liability of the Township.

**NOTE 10 – CONTINGENT LIABILITIES**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.



**Township of Surrey**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule - General Fund**  
**Year Ended June 30, 2007**

	Budgeted Amounts			Actual Over (Under) Budget
	Original	Final	Actual	
Revenues				
Taxes	\$ 91,024	\$ 91,024	\$ 97,758	\$ 6,734
Licenses and permits	2,260	2,260	3,495	1,235
State revenue sharing	192,028	192,028	190,996	(1,032)
Charges for services	12,650	12,650	17,687	5,037
Interest income	5,000	5,000	11,398	6,398
Other revenue	1,740	1,740	1,872	132
Total revenues and other sources	304,702	304,702	323,206	18,504
Expenditures				
General Government				
Township board	111,017	111,017	81,609	(29,408)
Supervisor	9,155	9,155	9,155	-
Elections	10,400	10,400	6,402	(3,998)
Clerk	28,193	28,193	27,164	(1,029)
Board of review	2,050	2,050	1,272	(778)
Treasurer	24,590	24,590	23,772	(818)
Assessor	38,295	38,295	29,269	(9,026)
Township hall	29,850	29,850	20,444	(9,406)
Public Safety	18,000	21,000	19,953	(1,047)
Public Works				
Cemetery	48,040	48,040	31,916	(16,124)
Roads, highways and street lights	34,778	34,778	28,070	(6,708)
Sanitary landfill	6,000	6,000	4,813	(1,187)
Other expenditures				
Recreation	6,400	6,400	3,239	(3,161)
Planning and zoning	20,848	20,848	13,849	(6,999)
Total expenditures and other uses	387,616	390,616	300,927	(89,689)
Net change in fund balance	(82,914)	(85,914)	22,279	108,193
Fund balance - beginning	294,626	294,626	294,626	-
Fund balance - ending	\$ 211,712	\$ 208,712	\$ 316,905	\$ 108,193

**Township of Surrey**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule - Library Fund**  
**Year Ended June 30, 2007**

	Budgeted Amounts		Actual	Actual Over (Under) Budget
	Original	Final		
Revenues				
Taxes			\$ 175,013	
State revenue			6,120	
Local contributions			20,114	
County penal fines			52,232	
Charges for services			7,063	
Miscellaneous			5,259	
Total revenues and other sources	\$ 228,252	\$ 222,652	265,801	43,149
Expenditures				
Wages and benefits			118,919	
Operating supplies			16,543	
Books and periodicals			17,861	
Communications			4,486	
Insurance and bonds			8,437	
Utilities			10,067	
Repairs and maintenance			6,592	
Equipment purchases			32,136	
Membership dues			9,135	
Professional fees			2,000	
Training and education			277	
Miscellaneous			274	
Total expenditures and other uses	\$ 222,652	\$ 233,601	226,727	(6,874)
Net change in fund balance	5,600	(10,949)	39,074	50,023
Fund balance - beginning	163,957	163,957	163,957	-
Fund balance - ending	\$ 169,557	\$ 153,008	\$ 203,031	\$ 50,023

**Township of Surrey**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule - Fire Fund**  
**Year Ended June 30, 2007**

	Budgeted Amounts			Actual Over (Under) Budget
	Original	Final	Actual	
Revenues	\$ 224,464	\$ 224,464	\$ 245,148	\$ 20,684
Expenditures	224,464	224,464	207,764	(16,700)
Net change in fund balance	-	-	37,384	37,384
Fund balance - beginning	182,616	182,616	182,616	-
Fund balance - ending	<u>\$ 182,616</u>	<u>\$ 182,616</u>	<u>\$ 220,000</u>	<u>\$ 37,384</u>

**Township of Surrey**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule - Rubbish Collection Fund**  
**Year Ended June 30, 2007**

	Budgeted Amounts			Actual Over (Under) Budget
	Original	Final	Actual	
Revenues	\$ 106,073	\$ 115,634	\$ 115,718	\$ 84
Expenditures	106,073	144,965	144,373	(592)
Net change in fund balance	-	(29,331)	(28,655)	676
Fund balance - beginning	161,804	161,804	161,804	-
Fund balance - ending	<u>\$ 161,804</u>	<u>\$ 132,473</u>	<u>\$ 133,149</u>	<u>\$ 676</u>

**Township of Surrey**  
**Other Supplemental Information**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2007**

	Nonmajor Special Revenue Funds			Nonmajor Debt Service Funds		Total Nonmajor Governmental Funds
	Surrey Lake Improvement Fund	Lake 13 Improvement Fund	Bear Lake	Lake 13	Surrey Lake Road	
<b>Assets</b>						
Cash and cash equivalents	\$ 27,829	\$ 44,900	\$ 2,499	\$ 4	\$ 3,624	\$ 78,856
Road assessment liens receivable	-	-	-	72,513	30,075	102,588
<b>Total assets</b>	<b>\$ 27,829</b>	<b>\$ 44,900</b>	<b>\$ 2,499</b>	<b>\$ 72,517</b>	<b>\$ 33,699</b>	<b>\$ 181,444</b>
<b>Liabilities and Fund Balance</b>						
<b>Liabilities</b>						
Accounts payable	\$ -	\$ 6,760	\$ -	\$ -	\$ -	\$ 6,760
Deferred revenue	-	-	-	72,513	30,075	102,588
<b>Total current liabilities</b>	<b>-</b>	<b>6,760</b>	<b>-</b>	<b>72,513</b>	<b>30,075</b>	<b>109,348</b>
<b>Fund Balance</b>						
Reserved	-	-	-	4	3,624	3,628
Unreserved	27,829	38,140	2,499	-	-	68,468
<b>Total fund balance</b>	<b>27,829</b>	<b>38,140</b>	<b>2,499</b>	<b>4</b>	<b>3,624</b>	<b>72,096</b>
<b>Total liabilities and fund balance</b>	<b>\$ 27,829</b>	<b>\$ 44,900</b>	<b>\$ 2,499</b>	<b>\$ 72,517</b>	<b>\$ 33,699</b>	<b>\$ 181,444</b>

**Township of Surrey**  
**Other Supplemental Information**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Nonmajor Governmental Funds**  
**Year Ended June 30, 2007**

	Nonmajor Special Revenue Funds				Nonmajor Debt Service Funds		Total Nonmajor Governmental Funds
	Surrey Lake Improvement Fund	Lake 13 Improvement Fund	Bear Lake	Liquor Law Enforcement Fund	Lake 13	Surrey Lake Road	
<b>Revenues</b>							
State revenue	\$ -	\$ -	\$ -	\$ 1,805	\$ -	\$ -	\$ 1,805
Special assessments	25,223	30,833	2,310	-	20,450	16,197	95,013
Interest income	261	408	25	-	31	65	790
Total revenues	25,484	31,241	2,335	1,805	20,481	16,262	97,608
<b>Expenditures</b>							
Surrey Lake improvement	20,302	-	-	-	-	-	20,302
Lake 13 improvement	-	20,136	-	-	-	-	20,136
Bear Lake	-	-	17,827	-	-	-	17,827
Liquor law enforcement	-	-	-	1,805	-	-	1,805
Debt service							
Principal redemption	-	-	-	-	17,833	15,199	33,032
Interest	-	-	-	-	2,932	2,446	5,378
Total expenditures	20,302	20,136	17,827	1,805	20,765	17,645	98,480
Net change in fund balance	5,182	11,105	(15,492)	-	(284)	(1,383)	(872)
Fund balance - beginning	22,647	27,035	17,991	-	288	5,007	72,968
Fund balance - ending	<u>\$ 27,829</u>	<u>\$ 38,140</u>	<u>\$ 2,499</u>	<u>\$ -</u>	<u>\$ 4</u>	<u>\$ 3,624</u>	<u>\$ 72,096</u>



6018 Eastman Avenue  
Midland, MI 48640  
(989) 631-6060 / (800) 701-3574  
Fax (989) 631-4288

To The Township Board  
Surrey Township  
Clare County, Michigan

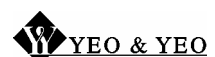
In planning and performing our audit of the financial statements of Surrey Township for the year ended June 30, 2007, we considered the Township's internal control to plan our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated August 31, 2007, on the financial statements of Surrey Township.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Township personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

*Yeo & Yeo, P.C.*

Midland, Michigan  
August 31, 2007



## **CURRENT YEAR COMMENTS**

### **CREDIT CARDS**

During our credit card testing we have noted that some expenses charged to the credit card were missing supporting documentation. Per the Township policy every credit card expenditure should be supported by adequate documentation when submitted by the employees.

#### **Recommendation**

We recommend that this policy is reviewed with all Township employees and enforced by the Township.

### **BANK STATEMENTS**

Currently the Township has several bank accounts, which do not have the cut off date same as the month end date. This does not provide the Township with accurate month end data as well as it makes it very difficult during the audit time to reconcile to year end balances.

#### **Recommendation**

We recommend that the Township contacts the bank and has the bank statements cut off dates changed to correspond with month end date.

## **PRIOR YEAR COMMENTS**

### **BOARD REVIEW OF FINANCIAL STATEMENTS**

It was noted during our review of June 2006 board minutes that the board has decided to only review financial statements on quarterly basis, instead of monthly. The board still reviews monthly check register.

#### **Recommendation**

We recommend that the Board continues to review financial statements on monthly basis. This is especially important because the Clerk and Treasurer are performing all transactions in the monthly accounting cycle and the only independent review is performed by the Board during the monthly review of financial statements. Quarterly review also creates potential for asset misappropriation to go undetected for several months.

**This recommendation has been implemented.**

### **LIBRARY DISBURSEMENTS**

During our disbursements testing we have noted that library disbursements are not always supported with complete documentation, which creates difficulty in correctly recording the disbursement.

#### **Recommendation**

Supporting documentation (vendor's invoice, receiving report, etc.) is necessary documentation, which is required to be maintained as a proof of purchase for goods or services. Also since the library is a component of Townships regular operations every disbursement should be supported by adequate documentation.

**This recommendation has been implemented.**